

Message Text

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ACTION EB-07

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 7210

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E.O. 11652: NA

TAGS: USIRJC, IR

SUBJ: VISIT OF AMERICAN IRON AND STEEL

INSTITUTE DELEGATION TO IRAN

REF: STATE 124267

1. IN PREPARATION FOR AMERICAN IRON AND STEEL
INSTITUTE EXECUTIVE COMMITTEE MEETING ON MAY 26,
DEPARTMENT SHOULD INCLUDE FOLLOWING INFORMATION
IN BACKGROUND PAPER DISCUSSED REFTEL.

2. IRANIAN GOVERNMENT PLANS MAJOR EXPANSION OVER
NEXT DECADE OF ALL ASPECTS OF BASIC IRON AND STEEL
PRODUCTION, STEEL PRODUCTS PRODUCTION AND PRODUCTION
OF CAPITAL EQUIPMENT TO SERVICE IRON AND STEEL
INDUSTRY. THIS EXPANSION WILL BE CARRIED OUT BY
THREE BASIC ORGANIZATIONS:(1) NATIONAL IRANIAN
STEEL MILL(ARYAMEHR SOVIET MILL);(2) NATIONAL
IRANIAN STEEL INDUSTRIES CORPORATION; AND (3)
REZA PAHLAVI INDUSTRIAL COMPLEX.

3. NATIONAL IRANIAN STEEL MILL: THE ARYAMEHR
STEEL MILL PLANS EXPANSION IN THREE PHASES.
THE FIRST PHASE IS CONCENTRATION ON INCREASED
IRON ORE REDUCTION AND PRODUCTION OF STEEL
INGOTS AND BLOOMS. BY END OF 1977, AYRAMEHR PLANS
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TO INCREASE PRODUCTION OF INGOTS AND BLOOMS FROM

600,000 TONS TO 1.2 REPEAT 1.2 MILLION TONS.
WITHIN FIVE YEARS, PRODUCTION SHOULD BE INCREASED
TO 1.8 MILLION TONS. THIS WILL REQUIRE ANCILLARY
EXPANSION OF IRANIAN COAL MINING INDUSTRY WHICH
IS DIRECTED BY AYRAMEHR MILL AND EXPANSION OF COKE
PRODUCING FACILITIES. AYRAMEHR MILL USES TRADI-
TIONAL(BOF) BLAST FURNACE TECHNIQUES FOR IRON ORE
REDUCTION. EXPANSION OF IRON AND STEEL TONNAGE
FROM MILL WILL BE ACCOMPLISHED BY INCREASING
NUMBER OF BLAST FURNACES. FURNACES ARE BEING
PROVIDED BY SOVIET GOVERNMENT AS PARTIAL PAYMENT
FOR IRANIAN NATURAL GAS PIPED TO USSR. EMBASSY
SEES LITTLE OPPORTUNITY FOR U.S. COMMERCIAL
INTERESTS IN THIS ASPECT OF PLANT EXPANSION.

4. OVER NEXT DECADE, AYRAMEHR MILL WILL EXPAND
HOT ROLLING, PICKLING, AND COLD ROLLING MILLS TO
PROCESS INCREASED STEEL PRODUCTION. MILL
DIRECTORS ARE KNOWN TO HEAVILY FAVOR AMERICAN
TECHNOLOGY FOR EXPANSION OF HOT AND COLD ROLLING
MILL FACILITIES. WHEREAS SOVIET BLAST FURNACE
FACILITIES ARE DIRECT EXCHANGE FOR NATURAL GAS,
PURCHASE OF AMERICAN HOT AND COLD ROLLING MILLS
WILL REQUIRE EXPENDITURE OF GOI FUNDS AND AISI
SHOULD INVESTIGATE FINANCING PACKAGE AS INTEGRAL
PART OF PRESENTATION OF TECHNOLOGY.

5. NATIONAL IRANIAN STEEL INDUSTRIES CORPORATION:
THIS ORGANIZATION, WHICH IS ALSO GOVERNMENT
CONTROLLED CORPORATION, IS CONCERNED WITH BASIC
PRODUCTION OF STEEL AS WELL AS PROCESSED STEEL
AND STEEL PRODUCTS SUCH AS STEEL PIPE AND WIRE
PRODUCTS. ESTABLISHMENT OF VARIOUS PLANTS SOMEWHAT
BEHIND SCHEDULE, ALTHOUGH STEEL PRODUCING FACILITIES
NEARLY COMPLETE. NISIC EMPLOYS DIRECT IRON ORE
REDUCTION FACILITIES USING NATURAL GAS. TECHNOLOGY
FOR NISIC FROM INITIAL TO FINAL PHASES OF PRODUCTION
WILL BE "WESTERN". MAJOR AMERICAN FIRMS HAVE ALREADY
DEVELOPED PROMISING CONTACTS WITH THIS ORGANIZATION.
NISIC AND SOVIET MILL WILL MAKE STEEL PRODUCTS FROM
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THEIR RESPECTIVE STEEL MILLS, AND ARE TO A CERTAIN
EXTENT COMPETITORS. AFTER INITIAL ESTABLISHMENT OF
NISIC FACILITIES, SOME EXPANSION CAN BE EXPECTED.
ENTIRE COMPLEX CAN, OVER TIME, PROVIDE EXCELLENT
COMMERCIAL OPPORTUNITY FOR U.S.

6. REZA PAHLAVI INDUSTRIAL COMPLEX:
THIS GOVERNMENT OWNED CORPORATION WILL

EVENTUALLY INCLUDE SOME FIFTEEN INDIVIDUAL INDUSTRIAL PLANTS PRODUCING STEEL PRODUCTS, PRIMARILY CAPITAL EQUIPMENT FOR THE INDUSTRIAL SECTOR IN IRAN, AND CAPITAL EQUIPMENT DIRECTED SOLELY TOWARDS SERVICING AND EXPANDING STEEL PRODUCING FACILITIES. THE ENTIRE COMPLEX IN WHICH KRUPP HAS A SIZABLE BUT UNSPECIFIED INTEREST IS STILL ON THE DRAWING BOARDS. THE PADECO STUDY WHICH WILL PROVIDE THE BASIC BLUEPRINT FOR THIS COMPLEX OF INDUSTRIAL PLANTS IS NOT YET COMPLETED. INFORMED SOURCES CLAIM THAT BASIC STUDY FOR ONLY THREE OR FOUR OF THE FIFTEEN PROPOSED INDUSTRIES HAVE BEEN COMPLETED. THESE INCLUDE A POSSIBLE LOCOMOTIVE ELECTRIC ENGINE PLANT AND PLANT WHICH WILL PRODUCE COMPLETE COLD ROLLING MILLS. EMBASSY BELIEVES THAT FOLLOWING COMPLETION OF BASIC STUDIES BY PADECO, GOI WILL BE SEEKING JOINT VENTURES ON INDIVIDUAL BASIS FOR EACH OF THE PLANTS INVOLVED IN REZA PAHLAVI COMPLEX.

7. EMBOFFS HAVE NOT YET HAD OPPORTUNITY TO DISCUSS DETAILS OF PADECO STUDY WITH GOI OFFICIALS MOST DIRECTLY RESPONSIBLE, MEETING PLANNED FOR MORNING OF MAY 25. WILL CABLE DEPARTMENT IMMEDIATELY FOLLOWING MEETING.

8. DEPARTMENT SHOULD MAKE CLEAR TO AISI THAT WHILE BOTH EMBASSY AND DEPARTMENT FEEL THAT AISI VISIT IS INITIAL STEP TO EXCELLENT EXPORT OPPORTUNITY FOR U.S. STEEL INDUSTRY, EMBASSY HAS EMPHASIZED TO GOI PROFESSIONAL RATHER THAN COMMERCIAL ASPECT OF AISI DELEGATION LIMITED OFFICIAL USE

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VISIT. MAKE UP OF DELEGATION SHOULD REFLECT BROAD SPECTRUM OF U.S. STEEL MAKING EXPERTISE. HELMS

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